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10 **UNITED STATES DISTRICT COURT**  
11 **SOUTHERN DISTRICT OF CALIFORNIA**

12  
13 **OBESITY RESEARCH INSTITUTE,**  
14 **LLC,**

15 **Plaintiff,**

16 **v.**

17 **FIBER RESEARCH**  
18 **INTERNATIONAL, LLC,**

19 **Defendant.**

Case No. 15-cv-00595-BAS(MDD)

**ORDER GRANTING IN PART  
AND DENYING IN PART  
PLAINTIFF AND  
COUNTERDEFENDANT  
OBESITY RESEARCH  
INSTITUTE'S MOTION TO  
DISMISS DEFENDANT'S FIRST  
AMENDED COUNTERCLAIMS**

(ECF No. 43)

20 **AND RELATED COUNTERCLAIM**  
21

22  
23 On March 16, 2015, Obesity Research Institute, LLC ("Obesity Research")  
24 filed a Complaint for Declaratory Judgment against Fiber Research International,  
25 LLC ("Fiber Research") asking the Court to declare that it has no liability under either  
26 the Lanham Act, 15 U.S.C. §§ 1125 *et seq.*, or the Federal Food, Drug, and Cosmetic  
27 Act ("FFDCA"), 21 U.S.C. §§ 301 *et seq.* (ECF No. 1.) On May 28, 2015, Fiber  
28 Research filed an Answer, in which it asserts the affirmative defense of unclean  
hands, and a First Amended Counterclaims. (ECF No. 41 ("FACC").) The FACC

1 alleges a violation of the Lanham Act (false advertising, unfair competition and false  
2 designation in violation of section 1125(a)(1)), a violation of California's unfair  
3 competition law ("UCL"), Cal. Bus. & Prof. Code §§17200 *et seq.*, and a violation  
4 of California's false advertising law ("FAL"), Cal. Bus. & Prof. Code §§ 17500 *et*  
5 *seq. (Id.)*

6 Presently before this Court is a Motion to Dismiss the FACC filed by Obesity  
7 Research pursuant to Federal Rule of Civil Procedure 12(b)(6). (ECF No. 43.)  
8 Obesity Research argues the FACC should be dismissed because: (1) Fiber Research  
9 lacks statutory standing to bring the claims; (2) the FACC fails to state a claim for a  
10 violation of the Lanham Act and for a violation of the UCL; (3) the FACC fails to  
11 allege sufficient particularity under Federal Rule of Civil Procedure 9(b); and (4) the  
12 allegations in the FACC are barred by laches. Fiber Research opposes. (ECF No.  
13 48.)

14 The Court finds this motion suitable for determination on the papers submitted  
15 and without oral argument. *See* Civ. L.R. 7.1(d)(1). For the reasons set forth below,  
16 Court **GRANTS IN PART** and **DENIES IN PART** Obesity Research's Motion to  
17 Dismiss (ECF No. 43).

## 18 **I. BACKGROUND**

19 As alleged in Fiber Research's FACC, "Glucomannan is a dietary fiber derived  
20 from Konjac, a root vegetable." (FACC at ¶ 24.) Shimizu Chemical Corporation  
21 ("Shimizu") "has developed a proprietary, patented process for extracting and  
22 refining Konjac root to produce the highest-quality glucomannan available in the  
23 world, called 'Propol.'" (*Id.*) "Numerous clinical studies support the efficacy of  
24 Propol glucomannan in assisting weight loss." (*Id.*)

25 "In 2006, Obesity Research introduced a weight loss product called Lipozene."  
26 (*Id.* at ¶ 25.) Although Obesity Research's marketing campaign highlights Propol's  
27 strong clinical testing results, "Lipozene contains neither Propol glucomannan, nor  
28 any substantially equivalent glucomannan that would justify Obesity Research

1 relying on Propol clinical studies to support its Lipozene weight loss claims.” (*Id.* at  
2 ¶¶ 25, 26.)

3 Specifically, Fiber Research alleges that Obesity Research repeatedly says  
4 Lipozene is “clinically proven,” when, in fact, the clinical studies it relies on are those  
5 using Shimizu’s Propol. (*Id.* at ¶¶ 50, 55, 57, 58-61.) Lipozene, to the contrary,  
6 “contains poor-quality, cheap ingredients and adulterants that do not have the same  
7 functional chemical profile as Propol. Hence, Lipozene does not have the weight loss  
8 benefits of Propol as demonstrated by Propol’s clinical testing.” (*Id.* at ¶ 65.)  
9 “Instead, there is no reliable clinical data supporting Lipozene’s efficacy in . . .  
10 promoting weigh loss.” (*Id.* at ¶ 66.) Additionally, Fiber Research alleges that  
11 Obesity Research falsely represents that at least one of the clinical studies is  
12 “sponsored by [Obesity Research]” and that Obesity Research falsely refers to one of  
13 the clinical studies of Propol as a “Lipozene Clinical Study,” when in fact Lipozene  
14 was not involved in the study at all. (*Id.* at ¶¶ 70-71.) Finally, Fiber Research claims  
15 that Obesity Research falsely represents on its label that there are “[n]o known  
16 allergens in this product” when, in fact, there are quantities of sulfites in Lipozene  
17 such that an allergen warning is warranted. (*Id.* at ¶ 67.)

18 “Pursuant to an exclusive sales contract with Shimizu, Fiber Research markets  
19 Propol in the United States.” (*Id.* at ¶ 28.) Fiber Research is also “the assignee of  
20 Shimizu’s legal rights of action in the United States for any damages incurred by  
21 Shimizu by virtue of any unlawful selling or marketing of products in unfair or  
22 unlawful competition with Propol.” (*Id.* at ¶ 29.) Fiber Research brings this action  
23 for injuries both “sustained directly, and as the legal assignee for injuries sustained  
24 by Shimizu.” (*Id.* at ¶ 30.) “Fiber Research has been injured in its efforts to sell  
25 Propol as a result of Obesity Research’s unfairly passing off its sub-standard,  
26 adulterated, unrefined Konjac root product as the same or substantially the same as  
27 that studied in clinical trials of Shimizu’s Propol glucomannan (even going so far as  
28 to call these the ‘Lipozene Clinical Studies.’) Fiber Research is also injured by the

1 loss of good will to Propol caused by Obesity Research’s passing off an inferior  
 2 product as Propol.” (*Id.* at ¶ 28.)

3 Fiber Research seeks: (1) a permanent injunction against Obesity Research  
 4 from falsely advertising, marketing, packaging, labeling, and/or selling Lipozene  
 5 using any false representations; (2) damages suffered by Fiber Research (directly and  
 6 as Shimizu’s assignee) “as measured by Shimizu’s lost sales to Obesity Research and  
 7 by Obesity [sic] Research’s Lipozene profits”; (3) Obesity Research’s profits  
 8 “attributable to its willful false advertising, unfair competition, and deceptive acts or  
 9 practices”; (4) treble damages under 15 U.S.C. §1117; and (5) attorney’s fees and  
 10 costs. (*Id.* at ¶ 106.)

## 11 **II. LEGAL STANDARD**

12 A motion to dismiss pursuant to Rule 12(b)(6) of the Federal Rules of Civil  
 13 Procedure tests the legal sufficiency of the claims asserted in the complaint. Fed. R.  
 14 Civ. P. 12(b)(6); *Navarro v. Block*, 250 F.3d 729, 732 (9th Cir. 2001). The court  
 15 must accept all factual allegations pleaded in the complaint as true and must construe  
 16 them and draw all reasonable inferences from them in favor of the nonmoving party.  
 17 *Cahill v. Liberty Mut. Ins. Co.*, 80 F.3d 336, 337-38 (9th Cir. 1996). To avoid a Rule  
 18 12(b)(6) dismissal, a complaint need not contain detailed factual allegations, rather,  
 19 it must plead “enough facts to state a claim to relief that is plausible on its face.” *Bell*  
 20 *Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007). “A claim has facial plausibility  
 21 when the plaintiff pleads factual content that allows the court to draw the reasonable  
 22 inference that the defendant is liable for the misconduct alleged.” *Ashcroft v. Iqbal*,  
 23 556 U.S. 662, 678 (2009) (citing *Twombly*, 550 U.S. at 556). “Where a complaint  
 24 pleads facts that are merely consistent with a defendant’s liability, it stops short of  
 25 the line between possibility and plausibility of entitlement to relief.” *Id.* (quoting  
 26 *Twombly*, 550 U.S. at 557) (internal quotations omitted).

27 “[A] plaintiff’s obligation to provide the ‘grounds’ of his ‘entitle[ment] to  
 28 relief” requires more than labels and conclusions, and a formulaic recitation of the

1 elements of a cause of action will not do.” *Twombly*, 550 U.S. at 555 (quoting  
2 *Papasan v. Allain*, 478 U.S. 265, 286 (1986) (alteration in original)). A court need  
3 not accept “legal conclusions” as true. *Iqbal*, 556 U.S. at 678. Despite the deference  
4 the court must pay to the plaintiff’s allegations, it is not proper for the court to assume  
5 that “the [plaintiff] can prove facts that it has not alleged or that the defendants have  
6 violated the . . . law[] in ways that have not been alleged.” *Associated Gen.*  
7 *Contractors of Cal., Inc. v. Cal. State Council of Carpenters*, 459 U.S. 519, 526  
8 (1983).

9       When a claim is based on fraud or mistake, the circumstances surrounding the  
10 fraud or mistake must be alleged with particularity. Fed. R. Civ. P. 9(b). If the  
11 allegations fail to satisfy the heightened pleading requirements of Rule 9(b), a district  
12 court may dismiss the claim. *Vess v. Ciba-Geigy Corp. USA*, 317 F.3d 1097, 1107  
13 (9th Cir. 2003). To satisfy the particularity requirement of Rule 9(b), “[a]llegations  
14 of fraud must be accompanied by ‘the who, what, when, where, and how’ of the  
15 misconduct charged.” *Vess*, 317 F.3d at 1106 (quoting *Cooper v. Pickett*, 137 F.3d  
16 616, 627 (9th Cir. 1997)). Plaintiffs must plead enough facts to give defendants  
17 notice of the time, place, and nature of the alleged fraud, together with the content of  
18 any alleged misrepresentation and explain why it is false or misleading. *See id.* at  
19 1107. The circumstances constituting the alleged fraud must “be specific enough to  
20 give defendants notice of the particular misconduct . . . so that they can defend against  
21 the charge and not just deny that they have done anything wrong.” *Vess*, 317 F.3d at  
22 1106 (quoting *Bly-Magee v. California*, 236 F.3d 1014, 1019 (9th Cir. 2001) (internal  
23 quotation marks omitted)); *see also In re GlenFed, Inc. Sec. Litig.*, 42 F.3d 1541,  
24 1547 (9th Cir. 1994), superseded by statute on other grounds as stated in *Ronconi v.*  
25 *Larkin*, 253 F.3d 423, 429 n. 6 (9th Cir. 2001). “Malice, intent, knowledge, and  
26 other conditions of a person’s mind may be alleged generally.” Fed. R. Civ. P. 9(b).

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### III. DISCUSSION

#### A. Standing

##### 1. Lanham Act

Failure to allege sufficient statutory standing requires dismissal under Federal Rules of Civil Procedure 12(b)(6) for failure to state a claim. *Maya v. Centex Corp.*, 658 F.3d 1060, 1067 (9th Cir. 2011). “‘For purposes of ruling on a motion to dismiss for want of standing, [the court] must accept as true all material allegations of the complaint and must construe the complaint in favor of the complaining party.’” *Id.* at 1068 (quoting *Warth v. Seldin*, 422 U.S. 490, 501 (1975)); *see also Vaughn v. Bay Envtl. Mgmt., Inc.*, 567 F.3d 1021, 1024 (9th Cir. 2009).

The Lanham Act “authorizes suit by ‘any person who believes that he or she is likely to be damaged’ by a defendant’s false advertising.” *Lexmark Int’l, Inc. v. Static Control Components, Inc.*, 134 S. Ct. 1377, 1388 (2014) (quoting 15 U.S.C. § 1125(a)(1)). The Supreme Court has determined that a statutory cause of action under the Act extends only to plaintiffs “whose interests ‘fall within the zone of interests protected by the law invoked,’” *id.* (quoting *Allen v. Wright*, 468 U.S. 737, 751 (1984)), and “whose injuries are proximately caused by violations of the statute, *id.* at 1390. Therefore, to allege statutory standing under the Lanham Act, Fiber Research’s Counterclaims must first meet the “zone of interest” test. *Id.* Second, Fiber Research must sufficiently allege that the injuries were proximately caused by a violation of the statute. *Id.*

The “zone of interest” test is not a particularly demanding one, and the benefit of the doubt goes to the one alleging the cause of action. *Id.* at 1389. “[T]he test forecloses suit only when a plaintiff’s interests are so marginally related to or inconsistent with the purposes implicit in the statute that it cannot reasonably be assumed that Congress authorized the plaintiff to sue.” *Id.* (citation and quotations omitted). In the false advertising context, Congress’ goal was to protect persons engaged in commerce against unfair competition. *Id.* Thus, “to come within the zone

1 of interests in a suit for false advertising under §1125(a), a plaintiff must allege an  
2 injury to a commercial interest in reputation or sales” as opposed to an allegation a  
3 consumer or business was misled into purchasing disappointing or inferior products.  
4 *Id.* at 1390.

5 To establish proximate cause under section 1125(a), a plaintiff “ordinarily  
6 must show economic or reputational injury flowing directly from the deception  
7 wrought by the defendant’s advertising; and that that occurs when deception of  
8 consumers causes them to withhold trade from the plaintiff.” *Id.* at 1391. “That  
9 showing is generally not made when the deception produces injuries to a fellow  
10 commercial actor that in turn affect the plaintiff.” *Id.* Although it may be more  
11 difficult to establish proximate causation when the parties do not directly compete,  
12 there need not be an allegation that the parties are in direct competition with each  
13 other. *Id.* at 1392; *see also Merck Eprova AG v. Brookstone Pharm., LLC*, 920 F.  
14 Supp. 2d 404, 416 (S.D.N.Y. 2013) (finding that Merck had standing to bring a  
15 Lanham Act claim “[a]lthough Merck and Acella are not direct competitors, insofar  
16 as Merck does not produce finished consumer products, [where] Merck and Acella  
17 both produce competing sources of folate for use in dietary supplements”); *Luxul*  
18 *Tech. Inc. v. Nectarlux, LLC*, 78 F. Supp. 3d 1156, 1170 (N.D. Cal. 2015).

19 “At the pleading stage, general factual allegations of injury resulting from the  
20 defendant’s conduct may suffice, for on a motion to dismiss we presume that general  
21 allegations embrace those specific facts that are necessary to support the claim.”  
22 *Maya*, 658 F.3d at 1068 (citation and quotations omitted); *see also Luxul Tech. Inc.*,  
23 78 F. Supp. 3d at 1170 (“At the pleading stage, plaintiff must allege an injury to a  
24 commercial interest in sales or business reputation proximately caused by the  
25 defendant’s misrepresentations.” (citation omitted)).

26 In its FACC, Fiber Research alleges that it has an exclusive sales contract to  
27 sell Propol in the United States. (FACC at ¶ 28.) It alleges it has been injured in its  
28 efforts to sell Propol because Obesity Research is “unfairly passing off its sub-

1 standard, adulterated, unrefined Konjac root product as the same or substantially the  
 2 same as that studied in clinical trials of . . . Propol.” (*Id.* at ¶ 28.) Thus, Fiber  
 3 Research has sufficiently alleged that its commercial interests in reputation or sales  
 4 have been damaged by Obesity Research’s conduct, and its injuries fall with the zone  
 5 of interest protected by the Lanham Act. Additionally, Fiber Research claims that it  
 6 has “been injured by the loss of good will to Propol caused by Obesity Research’s  
 7 passing off an inferior product as Propol.” (*Id.*) Thus, it has sufficiently alleged  
 8 economic or reputation injury proximately caused by Obesity Research’s deception.

9 Obesity Research argues that it is not in direct competition with Fiber Research  
 10 because Propol is sold to manufacturers only as an ingredient, whereas Obesity  
 11 Research sells directly to consumers. However, as discussed above, there is no  
 12 requirement that the parties be in direct competition with one another. Fiber Research  
 13 alleges its ability to sell Propol has been injured because of Obesity Research’s  
 14 allegedly false representations. Therefore, the Court finds Fiber Research has alleged  
 15 sufficient facts to establish standing under the Lanham Act.

## 16 2. UCL and FAL

17 Proposition 64, passed in November 2004, narrowed the standing in California  
 18 for either an unfair competition or a false advertising cause of action to those actually  
 19 injured by a defendant’s unlawful business practice. *See Clayworth v. Pfizer, Inc.*,  
 20 49 Cal. 4th 758, 788 (2010). Pursuant to section 17204 of the California Business  
 21 and Professions Code, only a “person who has suffered injury in fact and has lost  
 22 money or property as a result of the unfair competition” may seek relief under the  
 23 UCL.” Cal. Bus. & Prof. Code § 17204. Similarly, pursuant to section 17535 of the  
 24 California Business and Professions Code, only a person “who has suffered injury in  
 25 fact and has lost money or property as a result of a violation of” the FAL. Cal. Bus.  
 26 & Prof. Code § 17535. Therefore, in order to bring a claim under the UCL or FAL,  
 27 a plaintiff must “(1) establish a loss or deprivation of money or property sufficient to  
 28 qualify as injury in fact, i.e., *economic injury*, and (2) show that the economic injury

1 was the result of, i.e., *caused by*, the unfair business practice or false advertising that  
2 is the gravamen of the claim.” *Kwikset Corp. v. Super. Ct.*, 51 Cal. 4th 310, 322  
3 (2011). A plaintiff must also establish that it has “personally suffered such harm.”  
4 *Id.* at 323.

5 The economic injury must be an invasion of a legally protected interest which  
6 is “concrete and particularized” and “actual or imminent,” not “conjectural or  
7 hypothetical.” *Id.* at 322. The causation requirement does not require a plaintiff “to  
8 allege that the challenged misrepresentations were the sole or even the decisive cause  
9 of the injury-producing conduct.” *Id.* at 327. (citation and quotations omitted). “At  
10 the pleading stage, general factual allegations of injury resulting from the defendant’s  
11 conduct may suffice.” *Id.* (citation omitted).

12 There are innumerable ways a plaintiff may demonstrate economic injury,  
13 including the following: “[a] plaintiff may (1) surrender in a transaction more, or  
14 acquire in a transaction less, than he or she otherwise would have; (2) have a present  
15 or future property interest diminished; (3) be deprived of money or property to which  
16 he or she has a cognizable claim; or (4) be required to enter into a transaction, costing  
17 money or property, that would otherwise have been unnecessary.” *Id.* at 323. Courts  
18 have also found “lost sales, revenue, market share, and asset value” sufficient to  
19 allege an economic injury. *Allergan, Inc., v. Athena Cosmetics*, 640 F.3d 1377, 1381,  
20 1382 (Fed. Cir. 2011); *see also AngioScore, Inc. v. TriReme Medical, LLC*, 70 F.  
21 Supp. 3d 951, 962 (N.D. Cal. 2014) (finding an alleged “injury to market share  
22 suffered as a result of a competitor’s unfair business practice” to be a cognizable  
23 injury under the UCL); *Overstock.com v. Gradient Analytics, Inc.*, 151 Cal. App. 4th  
24 688, 716 (2007) (finding allegations of “diminution of value of . . . assets and decline  
25 in market capitalization and other vested interests” to satisfy the UCL injury in fact  
26 requirement). There is no requirement that there be allegations of business dealings  
27 between the parties. *See Allergan, Inc.*, 640 F.3d at 1383.

28 Obesity Research first argues that Fiber Research lacks standing to assert either

1 a UCL or FAL claim because it seeks, in part, a non-restitutionary remedy. Citing  
 2 *Buckland v. Threshold Enters.*, 155 Cal. App. 4th 798 (2007) and *Citizens of*  
 3 *Humanity v. Costco Wholesale Corp.*, 171 Cal. App. 4th 22 (2009), Obesity Research  
 4 argues standing for UCL or FAL claims is limited to those who suffer losses of money  
 5 or property entitling them to restitution. However, ineligibility for restitution is not  
 6 a basis for denying standing under either the UCL or FAL. *See Kwikset Corp.*, 51  
 7 Cal. 4th at 335-36; *Clayworth*, 49 Cal. 4th at 789; *see also Allergan, Inc.*, 640 F.3d  
 8 at 1381-82 (stating that *Kwikset* and *Clayworth* found that ineligibility for restitution  
 9 is not a basis for denying standing and to the extent *Citizens* and *Buckland* concluded  
 10 otherwise, they have been disapproved by the California Supreme Court). Obesity  
 11 Research’s “argument conflates the issue of standing with the issue of the remedies  
 12 to which a party may be entitled. That a party may ultimately be unable to prove a  
 13 right to . . . restitution . . . does not demonstrate that it lacks standing to argue for its  
 14 entitlement to them.” *Clayworth*, 49 Cal. 4th at 789.

15 Therefore, to the extent Fiber Research alleges it has been directly injured in  
 16 its efforts to sell Propol, in that it lost sales, market share, and goodwill,<sup>1</sup> because of  
 17 Obesity Research’s “unfairly passing off its sub-standard, adulterated, unrefined  
 18 Konjac root product as the same or substantially the same as that studied in clinical  
 19 trials of . . . Propol,” the Court finds it has sufficiently alleged standing.

20 Obesity Research next argues that Fiber Research lacks standing to prosecute  
 21 the UCL and FAL claims on behalf of Shimizu, who is not a party to this action. The  
 22 Court agrees. An uninjured assignee does not have standing to sue in a representative  
 23 capacity. *Amalgamated Transit Union, Local 1756, AFL-CIO v. Super. Ct.*, 46 Cal.  
 24 4th 993, 1002 (2009) (“To allow a *noninjured assignee* of an unfair competition claim  
 25 to stand in the shoes of the *original, injured claimant* would confer standing on the  
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27 <sup>1</sup> Goodwill is a protected property interest and harm to goodwill is a  
 28 cognizable injury. *See Sorzano’s Gasco, Inc. v. Morgan*, 874 F.2d 1310, 1316 (9th  
 Cir. 1989).

1 assignee in direct violation of the express statutory requirement in the unfair  
 2 competition law.” (emphasis in original)); *see also In re WellPoint, Inc. Out-of-*  
 3 *Network UCR Rates Litig.*, 903 F. Supp. 2d 880, 898-99 (C.D. Cal. 2012) (to the  
 4 extent assignees suffered their own independent and direct injuries as a result of the  
 5 unfair competition or false advertising, they may pursue their own UCL/FAL claims).  
 6 Therefore, to the extent that Fiber Research alleges it was injured indirectly as an  
 7 assignee of Shimizu, the Court finds it lacks standing. Fiber Research may only  
 8 pursue claims under the UCL and FAL with respect to injuries it has suffered directly  
 9 as the exclusive seller of Propol in the United States.

## 10 **B. Failure to State a Claim**

### 11 **1. Lanham Act**

12 Fiber Research’s first cause of action alleges a violation of the Lanham Act,  
 13 15 U.S.C. §1125(a)(1), including false advertising, unfair competition, and false  
 14 designation. (FACC at ¶¶ 79-86.) Section 43(a) of the Lanham Act, 15 U.S.C. §  
 15 1125(a), prohibits the use of false designations of origin, false descriptions, and false  
 16 representations in the advertising and sale of goods and services. *See Cleary v. News*  
 17 *Corp.*, 30 F.3d 1255, 1259 (9th Cir. 1994); 15 U.S.C. § 1125(a). To establish a false  
 18 advertising claim under the Lanham Act, a plaintiff must allege: “(1) a false statement  
 19 of fact by the defendant in a commercial advertisement about its own or another’s  
 20 product; (2) the statement actually deceived or has the tendency to deceive a  
 21 substantial segment of its audience; (3) the deception is material, in that it is likely to  
 22 influence the purchasing decision; (4) the defendant caused its false statement to enter  
 23 interstate commerce; and (5) the plaintiff has been or is likely to be injured as a result  
 24 of the false statement, either by direct diversion of sales from itself to defendant or  
 25 by a lessening of the goodwill associated with its products.” *Southland Sod Farms*  
 26 *v. Stover Seed Co.*, 108 F.3d 1134, 1139 (9th Cir. 1997); *see also Newcal Indus., Inc.*  
 27 *v. Ikon Office Solution*, 513 F.3d 1038, 1052 (9th Cir. 2008). “To demonstrate falsity  
 28 within the meaning of the Lanham Act, a plaintiff may show that the statement was

1 literally false, either on its face or by necessary implication, or that the statement was  
2 literally true but likely to mislead or confuse consumers.” *Id.*

3 In order to succeed on a false designation of origin claim under the Lanham  
4 Act, a plaintiff must show: “(1) defendant uses a designation (any word, term, name,  
5 device, or any combination thereof) or false designation of origin; (2) the use was in  
6 interstate commerce; (3) the use was in connection with goods or services; (4) the  
7 designation or false designation is likely to cause confusion, mistake, or deception as  
8 to (a) the affiliation, connection, or association of defendant with another person, or  
9 (b) as to the origin, sponsorship, or approval of defendant’s goods, services, or  
10 commercial activities by another person; and (5) plaintiff has been or is likely to be  
11 damaged by these acts.” *Summit Tech., Inc. v. High-Line Med. Instruments, Co.*, 933  
12 F. Supp. 918, 928 (C.D. Cal. 1996); *see also Freecycle Network, Inc. v. Oey*, 505  
13 F.3d 898, 902 (9th Cir. 2007); *Luxul Tech. Inc.*, 78 F. Supp. 3d at 1170. “The test for  
14 likelihood of confusion is whether a ‘reasonably prudent consumer’ in the  
15 marketplace is likely to be confused as to the origin of the good or service.”  
16 *Dreamwerks Prod. Grp., Inc. v. SKG Studio*, 142 F.3d 1127, 1129 (9th Cir. 1998).  
17 The likelihood of confusion must be probable, not just possible. *Murray v. Cable*  
18 *Nat. Broad. Co.*, 86 F.3d 858, 861 (9th Cir. 1996).

19 Even though the allegations in this case do not involve trademark infringement,  
20 in order to determine the likelihood of confusion, courts use the trademark  
21 infringement analysis. *See Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 781  
22 (1992) (Stevens, J., concurring) (“Whether we call the violation infringement, unfair  
23 competition or false designation of origin, the test is identical—is there a likelihood  
24 of confusion?”); *Spearmint Rhino Cos. Worldwide, Inc. v. Chiappa Firearms, Ltd.*,  
25 No. CV 11-05682-R-MAN, 2012 WL 8962882, at \*2 (C.D. Cal. Jan. 20, 2012) (citing  
26 *Walter v. Mattel*, 210 F.3d 1108 (9th Cir. 2000)); *Celebrity Chefs Tour, LLC v.*  
27 *Macy’s Inc.*, 16 F. Supp. 3d 1141, 1153 (S.D. Cal. 2014) (citing *Brookfield*  
28 *Commc’ns, Inc. v. W. Coast Ent. Corp.*, 174 F.3d 1036, 1046 n. 6 (9th Cir. 1999)) (a

1 claim for false designation of origin is subject to the same standard as trademark  
2 infringement but does not require the mark to be registered).

3 Thus, the Court may look to the *Sleekcraft* factors in its analysis: (1) strength  
4 of the mark, (2) relatedness of the goods, (3) similarity of sight, sound and meaning,  
5 (4) evidence of actual confusion, (5) marketing channels, (6) type of goods and  
6 purchaser care, (7) intent and (8) likelihood of expansion. *AMF, Inc. v. Sleekcraft*  
7 *Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979), abrogated on other grounds by *Mattel,*  
8 *Inc. v. Walking Mountain Prods.*, 353 F.3d 792, 810, n. 19 (9th Cir. 2003). As Fiber  
9 Research points out, several of these factors are uniquely applicable to trademark  
10 infringement and, thus, are not helpful here, but the overall framework is helpful to  
11 the analysis. *See E & J Gallo Winery v. Gallo Cattle Co.*, 967 F.2d 1280, 1290 (9th  
12 Cir. 1992) (“This list of factors . . . is neither exhaustive nor exclusive. Rather, the  
13 factors are intended to guide the court in assessing the basic question of likelihood of  
14 confusion.”); *Entrepreneur Media, Inc., v. Smith*, 279 F.3d 1135, 1140 (9th Cir. 2002)  
15 (“Although the *Sleekcraft* test plays an important role in the analysis of whether a  
16 likelihood of confusion exists, it is the totality of facts in a given case that is  
17 dispositive.” (citation and internal quotations omitted)).

18 Obesity Research argues the Lanham Act cause of action should be dismissed  
19 for failure to state a claim because: (1) the allegations regarding likelihood of  
20 confusion are conclusory; (2) the cause of action fails to allege Propol is used in U.S.  
21 commerce; (3) the FACC fails to allege the notice required for treble damages under  
22 15 U.S.C. §1111; (4) the alleged false statements are not false or misleading; and (5)  
23 the FACC fails to allege plausible facts showing Fiber Research suffered economic  
24 injury.

25 With respect to likelihood of confusion, the Court finds Fiber Research alleges  
26 sufficient relation and similarity between Propol and Lipozene to justify the  
27 conclusion that confusion is likely. Fiber Research alleges that Lipozene specifically  
28 uses the Propol research studies to bolster its claims, without justification.

Furthermore, the type of purchaser, those buying weight loss supplements, is not likely to have the resources to analyze whether the content of the supplements are as represented or not. Fiber Research alleges that Obesity Research makes these misleading statements intentionally to encourage customer confusion. Therefore, the allegations of “likelihood of confusion” are sufficient to support Fiber Research’s Lanham Act claims at this stage.

Furthermore, the Court finds Fiber Research sufficiently alleges both Lipozene and Propol are used in commerce in the United States. (*See* FACC at ¶ 25 (“Lipozene has become the United States’ best-selling weight loss product.”); and ¶ 28 (“Fiber Research markets Propol in the United States.”).) This is sufficient to meet the requirement under 15 U.S.C. §1125(a)(1) that the goods or services at issue be used “in commerce.” Fiber Research need not allege that Obesity Research uses the Propol trademark in commerce in a false designation of origin claim. *See Summit Tech., Inc.*, 933 F. Supp. at 928; *Luxul Tech. Inc.*, 78 F. Supp. 3d at 1170.

Obesity Research’s argument that Fiber Research failed to allege notice under 15 U.S.C. §1111<sup>2</sup> is not well-founded. First, this section, by its terms, applies to an action for trademark infringement, which is not the case here. Second, Obesity Research, in its Complaint, alleges Propol was listed, with the letter R enclosed within a circle, in the letter sent to Obesity Research on March 10, 2015 prior to this suit being initiated. (Compl. at ¶¶ 4, 10.) Therefore, Obesity Research’s argument on this ground must fail.

The Court further finds that Fiber Research has sufficiently alleged that the purported false statements are false or misleading under its false advertising claim.

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<sup>2</sup> Section 1111 requires that “a registrant of a mark registered in the Patent and Trademark Office . . . give notice that his mark is registered by . . . the letter R enclosed within a circle” prior to bringing any “suit for infringement.” 15 U.S.C. § 1111. However, “section 1111 is not a defense to infringement, but a limitation on remedies.” *mophie, Inc. v. Shah*, No. SA CV 13-01321-DMG(JEMx), 2014 WL 10988347, at \*22 (C.D. Cal. Nov. 12, 2014) (citing *United States v. Sung*, 51 F.3d 92, 94 (7th Cir. 1995)).

1 The FACC alleges that since late 2006, Obesity Research has been marketing and  
 2 advertising Lipozene as being “clinically proven” to help reduce body fat and weight,  
 3 in reliance on studies that tested Propol, and not Lipozene, which does not have “the  
 4 same functional chemical profile as Propol.” (*See* FACC at ¶¶ 44-73.) One of the  
 5 studies the FACC alleges Lipozene relies on is a 2004 study entitled “A Randomized  
 6 Double-Blinded Placebo-Controlled Study of Overweight Adults Comparing the  
 7 Safety and Efficacy of a Highly Viscous Glucomannan Dietary Supplement  
 8 (*Propol*<sup>TM</sup>)” (“Kaats Study”). (*See* FACC at ¶ 46, Exh. 2.) The other is a 1984 study  
 9 entitled “Effect of Glucomannan on Obese Patients: A Clinical Study,” which tested  
 10 “Glucomannan fiber (from konjac root)” (“Walsh Study”). (*See* FACC at ¶ 45, Exh.  
 11 1.) Among the allegations in the FACC is that Obesity Research’s Lipozene website  
 12 has been falsely characterizing the Walsh Study as a “Lipozene Clinical Study.” (*Id.*  
 13 at ¶ 71.)

14 Obesity Research argues that the alleged false statements are not false and  
 15 misleading because the Walsh Study does not explicitly say it used Propol in its  
 16 testing, and the FACC insufficiently alleges it advertised using the Kaats Study.  
 17 However, the FACC alleges that the Walsh Study tested Propol, which Fiber  
 18 Research defines as glucomannan extracted from Konjac, a root vegetable, by means  
 19 of a propriety, patented process. (FACC at ¶¶ 24, 45, 60-61.) At this stage, the Court  
 20 finds these allegations sufficient. Furthermore, with respect to the Kaats Study, the  
 21 FACC alleges that many Lipozene commercials “contain textual, small-print  
 22 sentences stating that participants in the clinical study to which the commercials refer  
 23 lost 4.93 pounds, of which 3.86 was body fat (thus forming Obesity Research’s ‘78%  
 24 was body fat’ figure:  $3.86 \div 4.93 = 0.78296$ )” and this was the exact finding in the  
 25 Kaats Study. (FACC at ¶ 54; *see also* FACC at ¶ 55 (“Obesity Research highlighted  
 26 the fact that the study on which it relies was conducted during the holiday season, as  
 27 was the Kaats [S]tudy”); ¶ 56 (Obesity Research commercials state “[c]linical data  
 28 shows that the amount of weight loss experienced between the active and placebo

group was 4.93 lbs. and of the 4.93 lbs of weight loss experienced by the active group 3.86 lbs was body fat.”) The Court also finds these allegations sufficient at this stage.

Obesity Research further argues that there is nothing false or misleading about its statement on its website that “[n]umerous clinical studies confirm Lipozene’s active ingredient, Glucomannan, is safe and effective for weight loss and body fat loss.” In other words, Obesity Research is claiming that the Glucomannan used in its product is safe and effective for weight loss and body fat loss. Fiber Research alleges that a chemical analysis of Lipozene by Japan Food Research Laboratories, which it attaches to its FACC, “demonstrates that Lipozene, unlike Propol glucomannan or a substantial equivalent, contains poor-quality, cheap ingredients and adulterants that do not have the same functional chemical profile as Propol. Hence, Lipozene does not have the weight loss benefits of Propol as demonstrated by Propol’s clinical testing,” which Fiber Research is relying on in making its statement. (*See* FACC at ¶¶ 64-66.) Accordingly, the Court finds these allegations sufficient to plausibly allege this statement is false or misleading.

Lastly, as discussed above under the Court’s standing discussion, the Court finds the FACC alleges plausible facts showing Fiber Research has been or is likely to suffer economic injury.

## 2. UCL

The UCL prohibits, and provides civil remedies for, unfair competition, which it defines as “any unlawful, unfair or fraudulent business act or practice and unfair, deceptive, untrue or misleading advertising.” *Kwikset Corp.*, 51 Cal. 4th at 322 (quoting Cal. Bus. & Prof. Code § 17200). “Because the statute is written in the disjunctive, it is violated where a defendant’s act or practice is (1) unlawful, (2) unfair, (3) fraudulent, or (4) in violation of section 17500,” *i.e.*, the FAL. *Lozano v. AT&T Wireless Servs., Inc.*, 504 F.3d 718, 731 (9th Cir. 2007). Obesity Research moves to dismiss Fiber Research’s UCL claim to the extent Fiber Research alleges a violation of the “unfair” prong, arguing that it relies on an outdated definition of

1 “unfair,” and the “unlawful” and “fraudulent” prongs, arguing that the FACC’s  
 2 allegations are insufficiently specific to pass muster under Rule 9(b) of the Federal  
 3 Rules of Civil Procedure.

4 a. *Fraudulent prong*

5 To state a claim under the UCL’s “fraudulent” prong, Fiber Research must  
 6 plead that Obesity Research’s allegedly fraudulent business practice is one in which  
 7 “members of the public are likely to be deceived.” *Schnall v. Hertz Corp.*, 78 Cal.  
 8 App. 4th 1144, 1167 (2000). “Unless the challenged conduct targets a particular  
 9 disadvantaged or vulnerable group, it is judged by the effect it would have on a  
 10 reasonable consumer.” *Puentes v. Wells Fargo Home Mortg., Inc.*, 160 Cal. App. 4th  
 11 638, 645 (2008) (quotations and citation omitted).

12 Obesity Research argues the Counterclaims are pled with insufficient  
 13 specificity under Rule 9(b). Because this claim is based on fraud, the circumstances  
 14 surrounding the fraud must be alleged with particularity. Fed. R. Civ. P. 9(b); *see*  
 15 *also Kearns v. Ford Motor Co.*, 567 F.3d 1120, 1125 (9th Cir. 2009) (Rule 9(b)  
 16 applies to UCL claims based on fraud). The FACC goes into great detail as to who,  
 17 what, and when the fraudulent conduct was allegedly committed, even attaching  
 18 copies of the allegedly fraudulent marketing materials. Obesity Research’s argument  
 19 on this ground must fail.

20 b. *Unlawful prong*

21 The UCL’s “unlawful” prong is essentially an incorporation-by-reference  
 22 provision. *See Cel-Tech*, 20 Cal. 4th at 180 (“By proscribing any unlawful business  
 23 practice, section 17200 borrows violations of other laws and treats them as unlawful  
 24 practices that the [UCL] makes independently actionable.” (citations and internal  
 25 quotation marks omitted)). “Violation of almost any federal, state, or local law may  
 26 serve as the basis for a UCL claim.” *Plaxencia v. Lending 1st Mortg.*, 583 F. Supp.  
 27 2d 1090, 1098 (N.D. Cal. 2008) (citing *Saunders v. Super. Ct.*, 27 Cal. App. 4th 832,  
 28 838-39 (1994)). “When a statutory claim fails, a derivative UCL claim also fails.”

1 *Aleksick v. 7-Eleven, Inc.*, 205 Cal. App. 4th 1176, 1185 (2012).

2 Fiber Research alleges Obesity Research's conduct was "unlawful" because it  
 3 violates the Lanham Act, the FFDCA Act, the FAL, and the Sherman Act. (FFAC at  
 4 ¶ 90.) Again, Obesity Research argues this is insufficient particularity under Rule  
 5 9(b). The Court disagrees. As discussed above, the FACC lays out in great detail  
 6 how each of these Acts were allegedly violated. Furthermore, this Court has already  
 7 found the allegations are sufficient to constitute a violation of the Lanham Act.  
 8 Hence Obesity Research's motion on this ground must also fail.

9 c. *Unfair prong*

10 Under the UCL, "[w]hen a plaintiff who claims to have suffered injury from a  
 11 direct competitor's 'unfair' act or practice invokes section 17200, the word 'unfair'  
 12 in that section means conduct that threatens an incipient violation of an antitrust law,  
 13 or violates the policy or spirit of one of those laws because its effects are comparable  
 14 to or the same as a violation of the law, or otherwise significantly threatens or harms  
 15 competition." *Cel-Tech*, 20 Cal. 4th at 187.<sup>3</sup> Thus, Fiber Research must allege that  
 16 Obesity Research's conduct "(1) violates the policy or spirit of the antitrust laws  
 17 because the effect of the conduct is comparable to or the same as a violation of the  
 18 antitrust laws, or (2) it otherwise significantly threatens or harms competition."  
 19 *People's Choice Wireless, Inc. v. Verizon Wireless*, 131 Cal. App. 4th 656, 662  
 20 (2005) (citing *Cel-Tech*, 20 Cal. 4th at 187). Notably, "[i]njury to a competitor is not  
 21 equivalent to injury to competition; only the latter is the proper focus of antitrust  
 22 laws." *Cel-Tech*, 20 Cal. 4th at 186. Acts that violate the spirit of the antitrust laws  
 23 include "horizontal price fixing, exclusive dealing, or monopolization." See

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24  
 25 <sup>3</sup> Fiber Research argues this test does not apply, relying on a footnote in  
 26 *Cel-Tech*, which states this test does not apply to "actions by consumers or by  
 27 competitors alleging other kinds of violations of the unfair competition law such as  
 28 "fraudulent" or "unlawful" business practices or "unfair, deceptive, untrue or  
 misleading advertising." *Cel-Tech*, 20 Cal. 4th at 187, n. 12. The Court disagrees.  
 This is not an action by a consumer and the Court is not applying this test to the other  
 prongs of the UCL.

1 *Celebrity Chefs Tour, LLC v. Macy's Inc.*, 16 F. Supp. 3d 1141, 1156 (S.D. Cal.  
2 2014).

3 In its opposition to the motion, Fiber Research states that the FACC “does not  
4 allege ‘anticompetitive practices.’” (Opp. at p. 18.) The Court agrees. Although the  
5 purpose of the Lanham Act is to protect persons engaged in commerce against unfair  
6 competition, *POM Wonderful LLC v. Coca-Cola Co.*, 134 S. Ct. 2228, 2234 (2014),  
7 Plaintiff only alleges harm to its own commercial interests, rather than harm to  
8 competition. *See Watson Labs., Inc. v. Rhone-Poulenc Rorer, Inc.*, 178 F. Supp. 2d  
9 1099, 1117 (C.D. Cal. 2001) (finding the plaintiff could not prevail where the  
10 evidence merely indicated harm to its commercial interests rather than harm to  
11 competition). Accordingly, the Court grants Obesity Research’s motion to dismiss  
12 Fiber Research’s claim under the “unfair” prong of the UCL.

### 13 **C. Laches**

14 Obesity Research argues that all of Fiber Research’s Counterclaims are barred  
15 by laches because they allege Obesity Research began marketing Lipozene in 2006,  
16 and many of the advertisements complained of aired in 2006 and 2007, and this suit  
17 was not filed until 2015. “Laches is an equitable defense that prevents a plaintiff,  
18 who with full knowledge of the facts, acquiesces in a transaction and sleeps upon his  
19 rights.” *Danjaq, LLC v. Sony Corp.*, 263 F.3d 942, 950-51 (9th Cir. 2001) (internal  
20 quotations and citation omitted). Laches is a valid defense to Lanham Act claims,  
21 including those for false advertising. *Jarrow Formulas, Inc., v Nutrition Now, Inc.*,  
22 304 F.3d 829, 835 (9th Cir. 2002).

23 “To demonstrate laches, the defendant must prove both an unreasonable delay  
24 by the plaintiff and prejudice to itself.” *Danjaq*, 263 F. 3d at 951 (quotations  
25 omitted). The delay is measured from the time a plaintiff knew, or should have  
26 known, about a cause of action. *Jarrow*, 304 F.3d at 838; *see also Danjaq*, 263 F. 3d  
27 at 952. “[I]f the plaintiff legitimately was unaware of the defendant’s conduct, laches  
28 is no bar to suit.” *Id.* When determining reasonableness, courts look at the cause of

1 delay. *Danjaq*, 263 F. 3d at 954. A defendant can demonstrate prejudice in two  
2 ways: either evidentiary, showing that evidence has been lost or memories have  
3 faded, or expectations-based, showing that the defendant has taken actions or suffered  
4 consequences it would not have had plaintiff brought timely suit. *Id.* at 955.

5 “Because laches is an equitable remedy, laches will not apply if the public has  
6 a strong interest in having the suit proceed.” *Jarrow*, 304 F.3d at 840. However,  
7 “[t]he public’s interest will trump laches only when the suit concerns allegations that  
8 the product is harmful or otherwise a threat to public safety and well being.” *Id.* at  
9 841. Furthermore, a party with unclean hands may not assert laches. *Id.* This bar to  
10 laches for unclean hands applies “only if the court is left with a firm conviction that  
11 the defendant acted with a fraudulent intent in making the challenged claims.” *Id.* at  
12 842.

13 A quick review of this law makes it obvious how inappropriate the motion is  
14 at this stage of the proceedings. The issue is primarily a fact-based issue. *See Dirk*  
15 *Ter Haar v. Seaboard Oil Co. of Del.*, 1 F.R.D. 598, 598 (S.D. Cal. 1940) (“The  
16 defense of laches . . . may not be asserted by motion to dismiss, but should be set  
17 forth affirmatively in defendant’s answer”); *24/7 Customer, Inc. v. 24-7 Intouch*, No.  
18 *5:14-cv-02561-EJD*, 2015 WL 1522236, at \*4 (N.D. Cal. Mar. 31, 2015) (“laches  
19 and statute of limitations defenses often require a fact-intensive investigation that is  
20 inappropriate on a motion to dismiss.”) Looking at the FACC and assuming  
21 everything in it is true, there are no allegations that support Obesity Research’s claim  
22 of laches. There is no allegation as to when Fiber Research knew or should have  
23 known of the cause of action. If there was a delay, there is no information as to the  
24 cause of delay. There is no evidence or allegation that Obesity Research has been in  
25 any way prejudiced by any delay. Finally, Fiber Research has alleged an affirmative  
26 defense of unclean hands. It will require fact-based discovery to determine whether  
27 evidence supports either a public interest that trumps the defense of laches or  
28 fraudulent intent on the part of Obesity Research. The Court agrees with Fiber


1 Research. The motion to dismiss based on laches is premature.

2 **IV. CONCLUSION**

3 For the foregoing reasons, the Court **GRANTS IN PART** and **DENIES IN**  
4 **PART** Obesity Research's Motion to Dismiss the First Amended Counterclaims  
5 (ECF No. 43). The Court **GRANTS** Obesity Research's motion to the extent it  
6 moves to limit Fiber Research's claims under the UCL and FAL to damages it  
7 suffered directly, as opposed to indirectly as an assignee of Shimizu, and to the extent  
8 it moves to dismiss Fiber Research's claim under the "unfair" prong of the UCL.  
9 However, in all other respects, Obesity Research's motion is **DENIED**.

10 **IT IS SO ORDERED.**

11  
12 **DATED: February 25, 2016**

  
**Hon. Cynthia Bashant**  
**United States District Judge**